

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

IN THE MATTER OF THE)	
INVESTIGATION INTO THE)	PSC DOCKET NO. 352-08
TERMINATION OF NATURAL GAS SERVICE)	
TO RESIDENTIAL CUSTOMERS BY)	
CHESAPEAKE UTILITIES CORPORATION)	

PROPOSED SETTLEMENT

On this _____ day of July, 2008, Chesapeake Utilities Corporation, a Delaware corporation (hereinafter "Chesapeake" or the "Company"), and the other undersigned parties (all of whom together are the "Settling Parties") hereby propose a settlement that, in the Settling Parties' view, appropriately resolves all issues raised in this proceeding.

I. INTRODUCTION

1. On or about January 18, 2008, the Commission Staff ("Staff") filed the above captioned action (the "Complaint") in response to an informal complaint filed by a customer (the "Customer") of Chesapeake. The Customer alleged that Chesapeake had terminated the Customer's natural gas service for non-payment on a day when the temperature was below 32 degrees at 8:00 A.M. in violation of the rules adopted in Regulation Docket 53 (the "Termination Provisions"). In the Complaint, the Staff alleged, among other things, that the Company had disconnected service to one or more of the Company's residential heating customers without complying with the notice requirements of the Termination Provisions and the Company's Tariff. Staff also alleged that one or more terminations took place during the Heating Season (as defined under the "Termination Provisions") when the temperature was below 32 degrees at 8:00 AM on the day of termination.

2. On February 19, 2008, Chesapeake filed a response to the Complaint (the "Response"). In the Response, Chesapeake denied that it had violated the Termination Provisions and alleged that Chesapeake had acted properly in terminating service. Chesapeake alleged that consistent with Chesapeake's approved Tariff, Chesapeake had the right to terminate service (at any time, and regardless of the temperature) to customers who, in response to a termination notice and in an effort to avoid termination, issued a check (or other form of payment) to the Company that was ultimately returned by the bank due to insufficient funds in the account. The Staff disagreed with Chesapeake's interpretation of Regulation Docket 53.

3. During the course of the Staff's investigation, Chesapeake agreed not to terminate service to any customer of the Company on any day when the temperature was at or below 32 degrees at 8:00 A.M. unless the termination was necessary for safety reasons. Moreover, in response to the Staff's request, the Company reinstated service to the Customer.

4. During the course of this proceeding, the parties have conducted substantial written discovery in the form of both informal and formal data requests. The Settling Parties have conferred in an effort to resolve all issues raised in this proceeding. The Settling Parties acknowledge that the parties differ as to the proper resolution of many of the underlying issues in this proceeding, the interpretation of the Termination Provisions, and the Company's Tariff. Notwithstanding these differences, the Settling Parties have agreed to enter into this Proposed Settlement on the terms and conditions contained herein, because they believe that this Proposed Settlement will serve the interest of the public.

II. SETTLEMENT PROVISIONS

5. Chesapeake, subject to the Commission's approval, will amend the termination sections of its Tariff so as to preclude the Company from terminating service during the Heating Season (as defined in Regulation Docket 53) to any customer on a day when the temperature is at or below 32 degrees at 8 A.M., unless the termination is necessary for safety reasons. The proposed amendment to the Company's Tariff is attached hereto as **Exhibit A.**

6. On or before November 1st of 2008, the Company will make a \$25,000.00 contribution to the Sharing Fund, an assistance fund administered by Catholic Charities to assist all income eligible customers of the Company. The Company will encourage Catholic Charities to earmark these funds for assistance to qualified customers of the Company for payment of their natural gas bills. Thereafter, the Company will make three (3) annual contributions to the Sharing Fund in the amount of \$10,000.00 each (for a total of \$30,000.00) on or before December 31 of each year, starting with calendar year 2008. The Company agrees that it will not recover, or attempt to recover, in rates, any part of the \$55,000 in contributions set forth in this paragraph. These contributions are to be in addition to any other contributions that the Company may otherwise make to the Sharing Fund. The Company shall send a letter to the Commission during the month of January 2009, 2010, and 2011 setting forth the amount that the Company contributed to the Sharing Fund the previous year as a result of this proceeding. The letter to the Commission shall also itemize the annual contributions made by the Company to the Sharing Fund from 2005 to the present. Finally, the Company represents that its determination of the contribution amount by the Company for the Sharing Fund in the

years 2008, 2009, 2010, and 2011 will be independent of, and not take into consideration, the amounts paid pursuant to this Settlement Agreement.

III. STANDARD PROVISIONS AND RESERVATIONS

7. The provisions of this Proposed Settlement are not severable.

8. This Proposed Settlement recommends a compromise for the purposes of settlement and shall not be regarded as a precedent with respect to any other principle in any future case or in any existing proceeding, except that, consistent with and subject to the provisos expressly set forth below, this Proposed Settlement shall preclude any Settling Party from taking a contrary position with respect to issues specifically addressed and resolved herein in proceedings involving the review of this Proposed Settlement and any appeals related to this Proposed Settlement. No party to this Proposed Settlement necessarily agrees or disagrees with the treatment of any particular item, any procedure followed, or the resolution of any particular issue addressed in this Proposed Settlement other than as specified herein, except that each Settling Party agrees that the Proposed Settlement will be submitted to the Commission for a determination that it is in the public interest and that no Settling Party will oppose such a determination. Except as expressly set forth below, none of the Settling Parties waives any rights it may have to take any position in future proceedings regarding the issues in this proceeding, including positions contrary to positions taken herein or previously taken. Nothing in this Proposed Settlement shall constitute an admission by Chesapeake that it violated any of the terms and conditions of the Company's Tariff or any of the Termination Provisions.

9. If this Proposed Settlement does not become final, either because it is not approved by the Commission or because it is the subject of a successful appeal and

remand, each of the Settling Parties reserves its respective rights to submit testimony, file briefs, or otherwise take positions as it deems appropriate in its sole discretion to litigate the issues in this proceeding.

10. The Proposed Settlement will become effective upon the Commission's issuance of a final order approving this Proposed Settlement and all the settlement terms and conditions without modification. After the issuance of such final order, the terms of this Proposed Settlement shall be implemented and enforceable notwithstanding the pendency of a legal challenge to the Commission's approval of this Proposed Settlement or to actions taken by another regulatory agency or Court, unless such implementation and enforcement is stayed or enjoined by the Commission, another regulatory agency, or a Court having jurisdiction over the matter.

11. The obligations under this Proposed Settlement, if any, that apply for a specific term set forth herein shall expire automatically in accordance with the term specified, and shall require no further action for their expiration.

12. The Settling Parties may enforce this Proposed Settlement through any appropriate action before the Commission or through any other available remedy. The Settling Parties shall consider any final Commission order related to the enforcement or interpretation of this Proposed Settlement as an appealable order to the Superior Court of the State of Delaware. This shall be in addition to any other available remedy at law or in equity.

13. If a Court grants a legal challenge to the Commission's approval of this Proposed Settlement and issues a final non-appealable order which prevents or precludes implementation of any material term of this Proposed Settlement, or if some other legal

bar has the same effect, then this Proposed Settlement is voidable upon written notice by any of the Settling Parties.

14. This Proposed Settlement resolves all of the issues addressed herein and arising from the Complaint, including but not limited to all service terminations in response to insufficient fund payments, and precludes the Settling Parties from asserting contrary positions during subsequent litigation in this proceeding or related appeals; provided, however, that this Proposed Settlement is made without admission against or prejudice to any factual or legal positions which any of the Settling Parties may assert (a) in the event that the Commission does not issue a final order approving this Proposed Settlement without modifications; or (b) in other proceedings before the Commission or any other proceeding so long as such positions do not attempt to abrogate this Proposed Settlement. This Proposed Settlement is determinative and conclusive of all of the issues addressed herein and, upon approval by the Commission, shall constitute a final adjudication as to the Settling Parties of all of the issues in this proceeding.

15. This Proposed Settlement is expressly conditioned upon the Commission's approval of all of the specific terms and conditions contained herein without modification. If the Commission should fail to grant such approval, or should modify any of the terms and conditions herein, this Proposed Settlement will terminate and be of no force and effect, unless the Settling Parties agree to waive in writing the application of this provision. The Settling Parties will make their best efforts to support this Proposed Settlement and to secure its approval by the Commission.

16. It is expressly understood and agreed that this Proposed Settlement constitutes a negotiated resolution of the issues arising from this proceeding and any related court appeals.

SIGNATURE LINES APPEAR ON LAST PAGE

IV. CONCLUSION

Intending to legally bind themselves and their successors and assigns, the undersigned parties have caused this Proposed Settlement to be signed by their duly authorized representatives.

Chesapeake Utilities Corporation

Dated: _____

By: _____

Delaware Public Service Commission Staff

Dated: _____

By: _____

Dated: 7/25/08

The Division of the Public Advocate

By: L. Cullum